

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1241 - SB 1195

March 12, 2021

SUMMARY OF BILL: Exempts judges and chancellors who are not allowed to practice as attorneys from the annual \$400 occupational privilege tax, beginning with taxes due and payable on or after June 1, 2021.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$125,800/FY20-21 and Subsequent Years

Decrease State Expenditures - \$75,200/FY20-21 and Subsequent Years

Increase Local Revenue - \$700/FY20-21 and Subsequent Years

Assumptions:

- Taxes due on June 1, 2021 make the first-year impact FY20-21.
- Based on information from the Department of Revenue (DOR) and the Municipal Technical Advisory Service (MTAS), there were 319 taxpayers in 2020 in the categories becoming exempt by this proposed legislation.
- The recurring decrease in state revenue beginning in FY21-22 is estimated to be \$127,600 (319 x \$400).
- For state government employees that are subject to the occupational privilege tax, the agency they work for will pay the \$400 fee.
- It is estimated that the state pays for 188 State judges, or \$75,200 (\$400 x 188) and that local governments do not pay for 131 General Session judges, or \$52,400 (\$400 x 131).
- The recurring decrease in state expenditures beginning in FY20-21 is \$75,200
- It is estimated that 50 percent of savings from the General Sessions judges, or \$26,200 (\$52,400 x 50%) will be spent on taxable goods in the economy.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring increase in state revenue is \$1,768 [(\$26,200 x 7.0%) – (\$26,200 x 7.0% x 3.617%)].
- The recurring increase in local revenue beginning in FY20-21 is estimated to be \$721 [(\$26,200 x 2.5%) + (\$26,200 x 7.0% x 3.617%)].
- The net recurring decrease in state revenue beginning in FY20-21 is \$125,832 (\$127,600 - \$1,768).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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